

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 § Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING
FEE APPLICATION OF LUKINS & ANNIS, P.S.
FOR THE TWELFTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Twelfth Interim Fee Application of Lukins & Annis, P.S. (the "Application").

BACKGROUND

1. Lukins & Annis, P.S. ("Lukins"), was retained as counsel for Zolonite Attic Insulation Claimants. In the Application, Lukins seeks approval of fees totaling \$3,631.00 and costs totaling \$145.75 for its services from April 1, 2004, through June 30, 2004.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the

United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals.

DISCUSSION

3. Per Lukins' Appointment Order, the Court set a total budget for ZAI counsel of \$1.5 million in fees and \$500,000 in expenses for prosecuting the Science Trial. On July 28, 2003, the Court entered an Order increasing the budget by \$950,000 per side for additional attorney fees and expenses. We note that an Order was entered on September 27, 2004, further increasing the litigation budget in the ZAI Science Trial by \$750,000.00 per side for additional attorneys' fees and expenses.¹

4. We will continue to monitor the ZAI Science Trial litigation budget for all participating parties. We have no objections to, or issues with, this Application for the 13th Interim Period, and thus we did not send an initial report to Lukins.

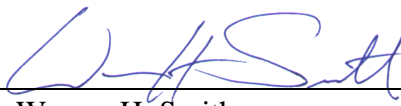
CONCLUSION

5. Thus we recommend approval of fees totaling \$3,631.00 and costs totaling \$145.75 for Lukins' services from April 1, 2004, through June 30, 2004.

¹We note that we had previously recommended against approval of Lukins' previous applications for the 10th, 11th and 12th interim periods solely because they were over the then-existing budget. With the latest increase in the litigation budget, the budget is now large enough that these three applications, and the current application, are all within the budget. Thus we recommend approval of Lukins' previous applications for the 10th, 11th and 12th interim periods.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 18th day of November, 2004.


Warren H. Smith

SERVICE LIST

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